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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA**

In re)	No.	01-30923 DM
PACIFIC GAS & ELECTRIC COMPANY,)	Chapter	11
Debtor.)	[Not set for hearing]	

**UNITED STATES TRUSTEE'S
OBJECTION TO APPLICATION TO EMPLOY AND TO CONTINUE
THE EMPLOYMENT OF SPECIAL COUNSEL TO DEBTOR IN POSSESSION
ON NON-BANKRUPTCY MATTERS**

Linda Ekstrom Stanley, United States Trustee, objects to the *Application for Authority to Employ and to Continue the Employment of Special Counsel to Debtor in Possession on Non-Bankruptcy Matters* (the "Application"). The Application should not be granted because it does not set forth the hourly rates for the professionals, several of the firms have not filed declarations in support of their applications responsive to Rule 2014(a), and it is not clear whether the firms intend to file fee applications which are consistent with the *Guidelines for Compensation and Expense Reimbursement of Professionals*.

Argument

The United States Trustee is responsible for, *inter alia*, supervising "the

administration of cases . . . under chapter . . . 11" of the Code and is given discretion to file comments with the court with respect to applications for employment of professional persons. 28 U.S.C. § 586(a)(3).

The United States Trustee has the following objections:

1. The Application Does Not Set Forth the Hourly Rates

The Application indicates debtor is only willing to submit hourly rates under seal. It is important that hourly rates be disclosed because it will not be possible to determine whether the compensation requested is appropriate if the hourly rates are omitted. Debtor should file the information on hourly rates so this determination can be made.

2. Several Firms Have Not Submitted Statements Under Rule 2014(a)

The Federal Rules of Bankruptcy Procedure require professionals employed pursuant to 11 U.S.C. § 327 submit a statement of their connections in the case so a determination can be made about their suitability to serve the estate. Fed. R. Bankr. P. 2014(a); §327(e). Several of the firms (approximately 62 in all) have not submitted this statement. At least one firm has submitted a declaration under Rule 2014(a) but does not appear on the list of firms to be employed (Latham & Watkins). No order of employment should issue for these firms.

3. Debtor's Intentions For Court Approval of Compensation Are Not Clear

Debtor indicates at ¶ 13 of the Application the firms will apply for compensation pursuant to applicable statutes and rules, it will pay these firms without resort to the bankruptcy court for prior approval so long as the monthly billings are consistent with pre-petition average billings. The United States Trustee does not object to monthly payments as proposed. Debtor should clarify whether these amounts will be submitted to the bankruptcy court for final allowance and the form the applications will take.

Fees and expenses should be standardized to the extent possible to facilitate review. Debtor should direct the firms to bill fees and expenses in conformity with the Guidelines for Compensation.

1 For the foregoing reasons, an order approving the application should only issue if (1)
2 the hourly rates have been disclosed; (2) proper disclosure has been made under Rule
3 2014(a) and (3) if the fees and expenses will be subject to final review by the bankruptcy
4 court and will be consistent with the Guidelines.

5 Date: May 23, 2001

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8 By:

Stephen L. Johnson
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